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Problems of Negotiations in Relations Between Two Powers

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[Article by Viktor Aleksandrovich Kremenyuk, doctor of historical sciences, professor, and deputy director of Institute of U.S. and Canadian Studies]

[Text] The changing nature and content of Soviet-American relations call for substantial changes in the existing mechanism of interaction and the methods of settling differences and making joint decisions. This is a new type of problem and it is therefore unlikely that earlier experience can be of much help in solving it. It is more likely that past experience will suggest what we should avoid if we want to base our relations on the principles of cooperation and tell us how to establish a reliable mechanism of interaction that will be capable of discerning and revealing controversial issues in advance and suggesting methods of resolving them.

Above all, this will require a conceptual basis for the kind of mechanism that will define effective ways of translating any problems that might arise into the language of concrete diplomatic initiatives. Of course, it should also meet legal and ethical standards and correspond to the political and administrative decisions made in today's world. The purpose would be broader mutual understanding between the USSR and the United States with regard to "community rules" and the permanent mechanism of interaction the superpowers already employ in relations with their allies, but not with each other. ?

The Place of Negotiations in Soviet-American Relations

Negotiations represent a somewhat special problem in the relations between the two powers. Soviet and American diplomats have accumulated considerable experience in conducting them. Both countries have excellent diplomatic personnel and highly developed methods and means of reaching agreements, but the very process of negotiating and reaching mutually acceptable solutions has taken too long. Since 1985 the dialogue between our countries has been much more dynamic. Its assets include the 1987 INF Treaty, the agreements on Afghanistan and southern Africa, and the treaty on conventional armed forces in Europe. Nevertheless, the state of affairs in this area cannot be called satisfactory.

Without denying the importance of the agreements the USSR and United States have concluded, most of the people involved in conducting or analyzing negotiations have called the process difficult and cumbersome and have complained that it usually cannot keep up with the development of the problems it is supposed to solve, and that the agreements that are concluded are often imbalanced or tenuous. In some cases, they are criticized or questioned soon after their conclusion. The ABM Treaty is a good example of this. Sometimes agreements are not ratified or are unilaterally rescinded.

The enhancement of the effectiveness of negotiations is connected directly with the "political will" of the parties: If it is present, the process will be more or less successful, and the concluded agreements will become milestones on the road to closer international cooperation. This requires bold political decisions on the highest level, capable of providing the momentum and agenda for current and future negotiations.¹ It is becoming increasingly obvious that the effectiveness of negotiations depends on an analytical foundation capable of evaluating changes and the opportunities they present.

Neither the West nor the East, however, has a single, balanced theory of international negotiation yet. For a long time, centuries of diplomatic experience compensated for the absence of this theory. Negotiations were viewed as a special process in the foreign policy activity of a state, intended primarily to serve its goals and interests; it was a covert form of confrontation, in which the participant's main goal was "victory," achieved by means of the conclusion of agreements on his terms. Negotiations were directly related to the balance of power between the partners, and for this reason they were useful only in a mutually acceptable situation. Otherwise, they had to be avoided.

Negotiations were viewed as an indicator of diplomatic skill and were therefore entrusted only to the most reliable individuals after years of impeccable service. The art of negotiation was handed down from one generation to another and acquired certain universal features, like any other art, while retaining a strong cultural-ideological element, like the diplomacy giving rise to it.

This spontaneously cultivated approach met all of the demands of the era of confrontation. During that period the relations between states, including those belonging to different social systems, were concentrated in the sphere of military-political and military-technical competition. Negotiations were only sporadic, representing an "atypical" model of interaction, supplementing the basic, military model, and were therefore distinguished by the confrontational approach and line of reasoning.

Harvard University Professor T. Schelling, a well-known American expert on the theory of conflict, expressed his views quite eloquently in the late 1950s and early 1960s. He saw the negotiating process as part of the conflict. In the overall system of conflicting relations between the two sides (individuals, parties, states, or groups of states), the emphasis was naturally on the factor of strength and on unqualified victory. Negotiations were seen only as an "emergency exit" from a situation in which the continuation of the conflict by forcible means was already inconvenient. They were not seen as a means of conflict resolution, but only as a supplement in the struggle for victory, and this did not require the elements of trust, integrity, or openness.² In essence, this process was still a conflict, with the sole difference that it would be resolved by political rather than military means. Furthermore, it had all of the characteristics of a conflict: diverging and incompatible

interests, efforts to win unilateral advantages, the fundamental impossibility of long-term compromise (compromise was seen only as a temporary solution), and a battle for the total defeat and surrender of the opponent.

The view of negotiations as a temporary cease-fire in a protracted war prevailed in the policy of the United States and many other states throughout the "cold war."

A cumbersome bureaucratic system was set up to service this negotiating process. In domestic politics it was based on interdepartmental compromises. Most of the effort in the process was spent on internal coordination and settlement, leaving little time and resources for the actual negotiations. Under these conditions, most of the responsibility for the decisions made during negotiations was frequently assigned to the heads of state and government, who were so busy that there were long delays in the signing of agreements. All of this probably gave rise to the now common dissatisfaction with the negotiating process.

Change in the Role of Negotiation

There were obvious changes during the transition from global confrontation to widespread cooperation. First of all, international negotiations became the main form of interaction by states; they not only recorded the new balance of military power, but also played an active part in continuously diminishing the role of the military factor. Second, the volume and number of negotiations increased: All of the differences of opinion that had not been settled during the years of confrontation and issues of a completely new type (the environment, mixed enterprises, and scientific and technical cooperation) became topics of discussion. Third, a more active role was played by international organizations, whose activity had been paralyzed for such a long time by the atmosphere of "cold war" and confrontation. Fourth, new individuals with no experience in the diplomatic service became actively involved in the negotiating process because their participation in the resolution of complex technical and economic problems was essential. Fifth, the management of negotiations had to be revised radically: singling out the most important problems for the top leadership of the country, defining the spheres of expertise of various working levels, developing a system for the delegation of responsibility, and enhancing the coordinating role of diplomatic agencies.

The earlier view of the purpose of negotiation, reflecting the fierce competitive struggle in society itself, was certainly affected by the changes in public thinking in the United States and the rest of the world, which had undergone serious transformation during the transition to the post-industrial society. The increasing popularity of the ideas of the "social contract" and their increasing influence on the methods and style of settling disputes and on decisionmaking processes, and the situation of nuclear deadlock in the relations between the two world systems, when they realized that it was in their common interest to avoid a suicidal nuclear conflict (this was already apparent at the time of the Caribbean crisis in October 1962), played a significant role in changing the view of negotiation in society and in political circles.

These factors became the material basis of the abstract ideas President W. Wilson advocated in the United States: the League of Nations, the peaceful settlement of disputes, interdependence, etc. In 1918 and 1919, however, they were more likely to be taken as naive idealism, although this did not keep such politicians as French Premier G. Clemenceau or British D. Lloyd George from making active use of them in the Versailles partition of the world. When the material prerequisites for this came into being later, however, people returned to these ideas. "Compromise" ceased to be a derogatory term, agreements began to be valued more than "victory," and the "opponent" began to be viewed as a partner.

The names of two American specialists deserve special mention in this context. The first is Professor A. Rapoport, who worked in the University of Michigan's Conflict Resolution Center (Ann Arbor) in the 1960s, and the second is Harvard University Professor H. Raiffa. In the beginning of the 1960's, the first man was already questioning T. Schelling's theory and offering conclusive proof that all conflicts do not conform to a single pattern. He divided them into three basic types: "*fights*" (in which opponents are divided by irreconcilable differences and can only hope for victory), "*debates*" (in which disputes and maneuvers are possible, but both sides can hope in principle for compromise), and "*games*" (in which both sides abide by the same rules, as a result of which these conflicts do not and cannot end in the collapse of the entire structure of relations).³

This was of fundamental importance in American conflict analysis. It signaled the disappearance of the aura of hopelessness and futility that had surrounded all conflicts, whether in international relations or within a society. In his examination of international relations, for example, T. Schelling said that any local or regional conflict was connected in some way with the "central" conflict between the East and the West and was an extension of it.⁴ Therefore, there could be no exceptions in any case of confrontation, whether it broke out in the center of Europe over West Berlin or in a distant colony, because every conflict bore the marks of the "global battle." These views, as the reader knows, became deeply entrenched in the thinking of politicians and military strategists; they can still influence this thinking even today.

Rapoport questioned this point of view, however, and argued that compromises and even collective searches for solutions to a broad range of problems were completely possible. This was not an abstract conclusion. In the sphere of international relations, it was based on the experience of the 1953 and 1954 Geneva conferences, which put an end to the bloodshed in Korea and Indochina, and the Austrian State Treaty of 1955, which reestablished Austria as an independent and democratic nation and was signed by the USSR, United States, Great Britain, France, and Austria. In the sphere of domestic politics in the United States itself, his arguments were even more valid: All disputes and conflicts, reflecting the common interests of the opposing sides to some extent, confirmed his idea about the need for a more healthy and balanced approach to their resolution.

Raiffa's comprehensive works have had a perceptible impact on the American science of negotiation. He teaches a course in the settlement of disputes by means of negotiation at Harvard University's Kennedy School of Government.

This political scientist treats negotiation as a special branch of human knowledge and activity. He won widespread recognition for his ideas that each sensible person must learn to settle disputes and disagreements effectively and that negotiation is a science and an art, which can and must be mastered by the participant in this process so that the fabric of social life will not be torn or damaged by each conflict, but will be strengthened instead, along with the ability to discern and develop common interests. He combined his knowledge of negotiation with the achievements of systems analysis in the decisionmaking sphere and coined the term "interactive process," signifying the set of moves that are not imposed on one side by the other, but are chosen collectively by means of dialogue.⁵

The need to conduct negotiations in a new way is also dictated by the important achievements of the exact sciences. Computers of the latest generations can perform the functions of all of the information services backing up negotiations (archives, reference services, etc.). The development of optimal programs for the settlement of disputes, the simulation of the negotiating process, and the disclosure of bottlenecks is also possible, especially in view of the fact that mathematical modeling proved the need for cooperation in conflicts in the 1980s.

These conclusions were set forth in a theoretical study based on a computer analysis of games by Professor R. Axelrod from the University of Michigan. He was able to prove that in situations of continuous conflict-ridden interaction, when each round of confrontation is followed by another, it is extremely unprofitable to rely on a single winning move resulting in the loss of the opponent's trust. Conversely, if each side chooses cooperation as the pattern of its behavior, winning the partner's trust and never undermining it, the result of this kind of interaction could be a victory for all.⁶

Theory of USSR-U.S. Negotiations

In recent years specialists in the theory and practice of international relations have gained a better understanding of the strong connection between basic problems. It would be difficult today to pick one problem out of the entire group and solve it without considering its integral relationship to other problems of the same type or even problems in a different sphere.

This is the result of an objective process by which all international relations are acquiring more and more common features and of the rapid intensification of problems, which creates something like a global network of the main international disputes, with a few fundamental issues in the center—disarmament, economics, resources, environmental protection, and social problems.

At this stage in the development of the international situation, it is becoming increasingly obvious that military methods of settling differences of opinion are becoming

outdated and that negotiation is becoming an increasingly effective means. The interconnected nature of the solutions to controversial international issues is the reason for the interdependence and systemic nature of contemporary international negotiations. The system is now in its formative stage. Not all of the individuals and governments concerned realize or acknowledge its existence. It is not completely distinct in all spheres and has developed much more intensively in areas where problems are given special attention (disarmament, for example). It is still quite fragile on higher levels, although some international documents acknowledge its existence (for example, the statements in resolutions of special UN sessions on disarmament about the existence of a direct connection between disarmament and socioeconomic progress).

Nevertheless, the study of the *system of international negotiations*, including the nature and patterns of connections within separate spheres of negotiation, such as the disarmament negotiations, is valid and relevant in investigations of the process of contemporary international negotiation. The group of problems to be solved comprehensively at Soviet-American negotiations in Geneva (space and strategic arms) is an indication of a developing systemic connection in this area. The same kind of situation is taking shape in East-West negotiations within the framework of the Helsinki process. The existence of a system of negotiations is also apparent in the economic sphere.

The nature and patterns of connections between different spheres of negotiation (disarmament-economics, economics-resources, resources-ecology) and between negotiation situations and internal political processes in countries involved in negotiations (the administrative and sociopolitical dimensions) also warrant consideration.

This approach to the study of contemporary international relations could be valuable primarily because it could produce a more complete understanding of the degree to which possible solutions will cover all of the problems in question and reveal their exact interrelationship. This method could help in determining the correspondence of the mandates of negotiators to the problems to be solved, the extent to which negotiators consider the objective need for solutions and, conversely, the presence of egotistical impulses to gain unilateral advantages.

The Soviet Union has already outlined this fundamentally new approach to international dialogue in part in government documents. In particular, they stress the role of negotiation as the only mechanism for the settlement of international disputes based on the observance of equal benefit, mutual concern for the legitimate interests of partners, and equal access to information. Special importance is assigned to the elaboration of mutually acceptable negotiating procedures on the basis of political agreements. Furthermore, there is the stipulation that negotiations should register a balance of interests, without which the achievement of a lasting agreement cannot be expected. These and other general statements need further development and amplification.

Obviously, the conceptual basis of this theory should not be the principle of maximizing unilateral advantages, on which the strategy of the parties was based until recently, but the *principle of optimal problem-solving*. In other words, the core of the negotiating process should be the search for a mutually acceptable solution, based on a balance of interests, to the problem stipulated in the agenda, and not a complex and lengthy "haggling" session, not the use of the so-called "bargaining" strategy, and not the exchange of concessions or elaboration of a compromise that frequently led to imbalanced agreements. The position of the USSR on intermediate-range nuclear weapons in Europe is an example of this change in the conceptual basis of negotiation. After 1985 the Soviet Union based its approach on the *problem-solving* principle—the elimination of USSR and U.S. nuclear weapons in Europe—and this not only removed secondary obstacles (the inclusion of English and French missiles), but also allowed the inclusion of shorter-range missiles in the package if necessary.

This principle allows for the more active use of computerized simulation methods for the elaboration of a negotiating strategy. This approach has already been used, and productively. The optimal problem-solving model for the contemporary law of the sea, which was developed at the Massachusetts Institute of Technology, lay at the basis of the UN convention on the law of the sea.

Within the current international system, negotiation is a means of the peaceful settlement of disputes and conflicts, a means representing a realistic alternative to violence. This statement, however, is not enough in itself. It must be supplemented by a clear and precise explanation of the way in which negotiation—both as a process and as a mechanism of conflict resolution—interacts with the broader system of relations between states and other subjects of international law. The following can be cited as one example of this interaction, although it is not the only example. During negotiation and decision making, there is always some restriction of the sovereignty of the parties to the agreement (by agreeing to a compromise, they inevitably give up some of their rights, the option to use force, to deploy certain weapons systems, to make asymmetrical reductions, etc.). How does the negotiating process as a whole affect sovereignty on this level? To what degree can it be developed without eventually jeopardizing the independence of the negotiating parties?

The relevance of these questions and of this area of inquiry in general is attested to by the fact that the activity of states in the sphere of international communication for the settlement of disputes requires immediate reinforcement with specific proposals regarding the means of implementing these initiatives: Which forum, in which composition, with which degree of authority, on which dates, and in which location? Consequently, it is no longer enough to formulate proposals or set forth initiatives in any sphere of international affairs; a mechanism for the resolution of the problem must be envisaged from the beginning.

The acknowledgement of the existence of a system of international negotiations (as in, for example, M.S. Gorbachev's statement of 15 January 1986)⁷ requires its thorough development, the interpretation and investigation of its structure, and the determination of its degree of balance and adequacy (or inadequacy) to solve the group of existing and potential problems. There is also a need to disclose the rules and workings of this system, the degree of its autonomy in relation to the interests of different states and governments, the criteria of its effectiveness, the nature of the interaction of separate units, and the fundamentals of the optimal strategy of a state or group of states for using negotiation to find lasting solutions to controversial issues.

All of this brings us to the *principles of planning the negotiation process*. In essence, negotiation, just as any other aspect of international relations depending on the decisions of the international community, must become the object of collective management, including the program for convening, conducting, and concluding negotiations. To this end, we must study not only the workings of a particular link of the system and a particular negotiating mechanism, but the entire group of negotiations and its structure and internal connections. Obviously, because of the mechanism of interdependence, the settlement of a dispute cannot be confined to a single negotiating process (for example, the settlement of the situation in Afghanistan required negotiations not only between Afghanistan and Pakistan, but also between the USSR and the United States, between the USSR and Afghanistan and Pakistan, and between the United States and Pakistan).

By the same token, the resolution of an entire set of problems will require a developed set of negotiations, which cannot be managed by the diplomats of a single nation. We must know exactly how much effort it will take to surmount a particular crisis. We must know the exact "subsystem of negotiations." If we consider the capabilities of the negotiating mechanism and, of course, the decisionmaking mechanism on the national level, we can set realistic objectives in a realistic time frame.

Some Prospects

Enhancing the effectiveness of the entire set of negotiations and creating a mechanism for the settlement of disputes and differences of opinion will require radical changes in the very approach to international dialogue: the creation of a hierarchy of negotiations and consultations with different levels of responsibility and authority (from unofficial exchanges of opinions by experts to formal negotiations and decisionmaking), the development of joint methods of surmounting differences of opinion by experts from different countries, the guarantee of the transition of the negotiating process from a state of conflict to a joint search for the optimal solution with a view to the actual capabilities of the parties to the agreement and with help from the international community. Foreign specialists have already written about this as well.⁸

It goes without saying that all of this would have been impossible without the introduction of the new political

thinking. In this context, the theory of international negotiation must focus on the elaboration of the types and cognitive patterns of this thinking with a view to the class, cultural, historical, geographic, and other distinctions of representatives of different countries and continents taking part in the dialogue. The study of this process is therefore extremely important. If the world community should adopt a new approach to negotiation, past experience will have to be reviewed extensively.

The best way of accomplishing this would be a joint project by an international team of scientists. If this approach were to be elaborated in a single country, it would remain only a product of the thinking of scientists in one country, no matter how effective and logical it might be, and it would therefore be viewed by scientists and non-scientists in other countries as something alien, something imposed on them from outside in the opponent's interest. Good and useful ideas could remain unrealized for many years because of elementary caution.

In general, negotiation is among the most highly developed and researched topics in the contemporary Western science of international relations. In the United States it is being studied, and has been for more than a decade now, at Harvard University and in the foreign service institute of the U.S. State Department, and in centers for the study of negotiation in Holland, France, Switzerland, and other countries.

Of course, the Western science of negotiation does not address only (or mainly) the consumer from the diplomatic sphere. In the capitalist society, negotiation is practiced by businessmen, jurists, union officials, and ordinary citizens making purchases. For this reason, the process neither appears to be nor is an exotic sphere of activity beyond the capabilities of the average statistical person. This is the reason for the completely different nature and, what is most important, broader scales of the interest in negotiation, reflected in the public demand for specialized knowledge of negotiating processes and the performance of negotiators. Diplomats can only benefit from this situation and can base their activity on a colossal amount of developed theories and procedural recommendations, choosing the ones meeting their specific requirements.

Under the conditions of perestroika in our country, we are only now approaching the time when economic reform and the establishment and reinforcement of a rule-of-law society can make negotiation an integral part of the business relations of citizens and state establishments, and of many other spheres where the methods of authoritarian control once prevailed. All of this is being combined with the perestroika of the work of our diplomatic mechanism, which is rising to a qualitatively new level in connection with the introduction of the new thinking and the renunciation of many obsolete dogmas.

The study of foreign experience in this area could be useful for two reasons. First of all, we must start out with at least a general idea of the topics foreign specialists are researching, the kinds of questions they are asking, the kinds of tools they are using, and the level of their knowledge in general. Whereas diplomats usually are not

particularly eager to divulge their thoughts on how the negotiating process might be organized and the methods they might use to achieve their goals, scientists strive to disclose the new elements that arise and to analyze and interpret them. Therefore, reading their works is simply useful from the standpoint of the daily requirements of life.

There is also another aspect. The world of negotiations in international relations has always represented a distinct social community: As a rule, diplomats know each other well, know the history of the topics of discussion, know the current "jargon," and abide by certain unwritten rules. These are the rudiments of negotiation, but there are also higher mathematics, nuances of behavior, unofficial exchanges of visits and opinions, the circumstances of the current political situation, the knowledge of the partner's line of reasoning, etc. More profound knowledge of this type necessitates the study of theoretical works in other countries and the analysis of different, alien, and unique trains of thought and lines of reasoning. In the more distant future, this could lead to the creation of a common negotiation "subculture" with its own set of symbols, concepts, and code of behavior.

A collective work by an international team of scientists has been compiled and published under the auspices of the International Institute of Applied Systems Analysis.⁹ It represents an attempt, first of all, to present an objective analysis of the state of affairs in the sphere of international negotiations from the standpoint of practice and scientific theory. Second, the book contains interesting and promising proposals regarding negotiation research methods. Third, the book presents a scientific analysis of the main negotiations between the USSR and the United States—in the sphere of disarmament and the settlement of regional conflicts—and other negotiations between great powers and other countries.

To what degree does this apply to the problems of Soviet-American negotiations? An analysis of several constant factors can provide the answer to this question. First of all, the Soviet Union and United States want to avoid a crisis in the existing international system and to preserve its integrity by developing international procedures for the elimination and prevention of possible conflicts. Second, both states agree with the ideas of the United Nations in principle, particularly with regard to the peaceful, nonviolent settlement of international disputes. Third, the USSR and United States have established a subsystem of bilateral and multilateral negotiations for the settlement of disputes and want to enhance the effectiveness of this subsystem. Both states are fully capable of attaining this objective.

Footnotes

1. G.A. Arbatov, "Glasnost, Negotiations, and Disarmament," PRAVDA, 17 October 1988.
2. T. Schelling, "The Strategy of Conflict," Cambridge (Mass.), 1960.
3. A. Rapoport, "Fights, Games and Debates," Ann Arbor (Mich.), 1960.

4. T. Schelling, *Op. cit.*, p 252.
 5. H. Raiffa, "The Art and Science of Negotiation," Cambridge (Mass.), 1982.
 6. R. Axelrod, "Evolution of Cooperation," New York, 1984.
 7. M.S. Gorbachev, "Izbrannyye rechi i statyi" [Selected Speeches and Articles], vol 3, Moscow, 1987, pp 133-144.
 8. R. Fisher, "The Structure of Negotiations: An Alternative Model," *NEGOTIATION JOURNAL*, 1 July 1986, pp 233-235.
 9. "International Negotiation: Analysis, Approaches, Issues," edited by V. Kremenyuk, San Francisco, 1991.
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Confidence-Building Measures and New Architecture of European Security

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[Article by Igor Nikolayevich Shcherbak, candidate of historical sciences]

[Text] In contemporary international relations—on the multilateral level and the bilateral Soviet-American level—confidence-building measures are playing an important role in guaranteeing European security and stability and lowering the level of military confrontation in Europe. It seems logical that the transition to a qualitatively new stage in European negotiations in the disarmament sphere, which led to the signing of a treaty on conventional armed forces in Europe at the all-European summit conference in Paris last November, was preceded by vigorous efforts to develop confidence-building measures and lay the foundation for the appropriate infrastructure.

The main stages of the journey were the 1975 Helsinki accords on confidence-building measures and the 1986 Stockholm document on confidence-building measures and security and disarmament in Europe. The evolution and creation of the network of confidence-building measures progressed from the first generation of measures (of the Helsinki type) to the second (Stockholm) to the final and third generation (Vienna). Those of the second and third generations were supposed to perform the more complex functions of securing the increased predictability of the regular military activity of states, the correct interpretation of one another's actions in crisis situations, and the limitation of large-scale military operations (maneuvers, transfers of troops and arms, etc.) which could be dangerous from the standpoint of covert preparations for a sudden attack.

The nature of confidence-building measures also changed. Whereas the first generation was based on the voluntary exchange of information, the second and third envisaged politically binding procedures for the provision of information and were backed up by an inspection mechanism to verify their effective observance.

As the joint declaration of the 22 states, adopted 19 November 1990 in Paris, says, "they appreciate the contribution the security and confidence-building measures will make to the relaxation of tension and completely support the further development of such measures.... They are certain that the treaty on conventional armed forces in Europe and the agreement on the choice of significant new measures to strengthen confidence and security, combined with new models of cooperation within the CSCE framework, will enhance security and thereby lead to lasting peace and stability in Europe."¹

Security interests demand the kind of negotiating process in the disarmament sphere that would secure its effective supplementation with confidence-building measures. This kind of process actually existed at the time of the simultaneous Vienna talks on the reduction of conventional armed forces in Europe and the talks on security and confidence-building measures on the continent. The advantage of this kind of interconnection was that the confidence-building measures would not only create a favorable atmosphere for effective reductions of the sides' armed forces, but would also ensure the stability of the military-political situation in Europe by securing its predictability and preventing potential conflicts in advance. The mediating and stabilizing role of confidence-building measures could also be useful in the event of serious arguments or even a conflict between the sides over the observance of agreements.

Confidence-building measures have the advantage (in comparison, for instance, to the complex and multileveled negotiating procedure) of serving as an efficient and flexible instrument for the maintenance of stability in crisis situations. It takes much less time to reach agreements based on confidence-building measures, such as the code of behavior in crisis situations. Furthermore, if we consider the variety of agreements on confidence-building measures (unilateral, bilateral, and multilateral), we could say that they are most adaptable to the dynamic development of the international situation and the speed with which a crisis can break out.

It is also clear, however, that the classic difference between real disarmament measures and confidence-building measures is gradually disappearing. Both are aimed at maintaining an adequate level of predictability and certainty of the military-political intentions of states and stability during the transition from confrontation to cooperation.

Harvard University Professor J. Nye's point of view seems valid in this context. He says that, in a certain sense, "all arms control can be regarded as a confidence-building measure," and "structural and functional arms control" is part of the overall process of guaranteeing the political certainty that the other side has no hostile intentions.²

Therefore, we could say that the 1970s and 1980s were a time of the gradual establishment of an infrastructure of confidence-building measures, or a unique code of behavior for states, regulating their military activity and guaranteeing the security and stability of Europe to a certain extent. The problem was that the process was

incomplete: Different types of confidence-building measures seemed to be operating in a vacuum because they were not backed up by a single organizational structure or a mechanism within the framework of the all-Europe process.

To a certain extent, this occurred because the maintenance of security and stability on the European continent was guaranteed for a long time by military-strategic parity between the two largest powers within the framework of a bipolar structure, supplemented by parity between the North Atlantic Treaty and Warsaw Pact organizations. By the same token, confidence-building measures were geared to the essentially limited objective of creating the mutual certainty that the other side was not making covert preparations for a surprise attack. Furthermore, another parallel structure of confidence-building measures with strategic applications existed between the USSR and the United States and was supposed to prevent the outbreak of nuclear war as a result of accidents or of inadvertent or mistaken actions.³

They are not completely separate, however: Confidence-building measures connected with the activities of conventional armed forces are simultaneously supposed to prevent a possible conflict involving the use of conventional armed forces from growing into a nuclear conflict. Therefore, confidence-building measures have performed and are still performing the interrelated functions of lowering the level of military confrontation and preventing a surprise attack and the outbreak of nuclear war as a result of accidents, mistakes, or unauthorized actions.

The relationship between the two largest nuclear powers, particularly the assignment of priority to military-strategic parity, was the reason for the limited function of confidence-building measures, namely the maintenance of military-strategic parity. This created the state of subordination between confidence-building measures and "real" disarmament. This resulted in the traditional pattern in which priority was assigned to the very process of disarmament negotiations while confidence-building measures played a purely symbolic, attendant role. This stereotype became the rule in the 1970s and continued to influence our approach to a certain extent until recently. As a result of the effects of this model of the negotiation process, based not on the active integration of confidence-building measures and actual disarmament, but on their separation, produced a specific type of agreement in which confidence-building measures were not assigned an independent role. Their functions were essentially limited to the exchange of the necessary information and data for a particular agreement.⁴

Confidence and Disarmament

In Europe, under the conditions of the most highly concentrated military-political confrontation throughout the postwar decades up to the end of 1990, it was impossible to conclude an agreement or accord on real reductions of accumulated arms and armed forces.

The first serious experiment in this area—the Vienna talks on the mutual reduction of armed forces and arms in

Central Europe, which began in 1973—ended in failure. Although there were several political and military reasons for this, it nevertheless appears that the final deadlock was due to the absence of a developed infrastructure of confidence-building measures and the common stereotypical suspicions about the intentions of opposing military-political alliances. Attempts to find the optimal military-technical solution to the problem of armed forces and arms reduction in Central Europe were unsuccessful at that time because the negotiations were not accompanied by the necessary level of confidence and transparency⁵ in military-political relations. It is indicative that even the modest proposals of additional confidence-building measures at the Vienna talks were not amplified because the sides frequently interpreted the expansion of the parameters of information exchange and transparency as an attempt to gain "excess" information about the rival's military potential for the purpose of strategic operations in line with the corresponding military doctrine.

Some lessons, however, were learned. The multilateral talks on the prohibition of chemical weapons, when the need for the intensive use of confidence-building measures to enhance the effectiveness of negotiation was taken into account, are one example. The participants were virtually all of the European CSCE states, and the progress they made was due largely to the existence of a developed infrastructure of confidence-building measures and openness. Serious advances were made, in particular, as a result of the unprecedented level of openness and confidence between the parties to the talks that had already been established before their formal conclusion and the signing of a convention.

This included such steps as, for instance, the conclusion of an agreement on the multilateral exchange of data (on chemical weapon supplies, production and storage facilities, etc.) in connection with the drafting of the convention banning chemical weapons, the unilateral declarations by participants with regard to their military-chemical potential and intentions in the sphere of chemical weapons (these statements were made by the USSR and United States and also by several other countries), the institution of the practice of mutual tours of military and industrial facilities on a bilateral and multilateral basis (for parties to the Geneva Conference on Disarmament); the exchange of information and plans, as well as the technology for the destruction of chemical weapon supplies; the national experiments which were conducted to test verification methods, etc. The active use of these measures played an important role in eliminating mistrust and suspicion with regard to chemical weapons and contributed to serious progress at the talks.

A high level of confidence made it possible to conclude the bilateral Soviet-American agreement on the elimination and non-production of chemical weapons of 1 June 1990. In turn, Soviet-American cooperation in expanding the framework of openness and predictability will serve the interests of the quickest possible conclusion of a multilateral convention banning chemical weapons. One particularly noteworthy development is the positive impact of the

Soviet Union's new line of openness and glasnost in questions connected with chemical weapons instead of its earlier excessive secrecy.

Search for a New Model

The dynamic political changes in the East European countries, the unification of Germany, and the substantial reduction or complete withdrawal of Soviet troops from several East European states revealed the weakness and inadequacy of the infrastructure of confidence-building measures that had taken shape before the Paris all-European meeting.

We can assume that the maintenance of security and stability under the new conditions in Europe will not be confined to its traditional military aspects, and that this will be promoted by the decreasing importance of military-political alliances and the increasing significance of the new all-European structures and mechanisms. Future reactions to new challenges and threats to security and stability (for example, various types of inter-ethnic clashes on the regional and subregional levels and the dynamic political and socioeconomic changes in Eastern Europe), however, will be important.

"The plausibility of threats to our national security as a result of a Soviet invasion of Western Europe or a Soviet nuclear attack...is given a much lower rating than the whole group of dangers that are not connected with the USSR and even stem from non-military threats to this security,"⁶ American political scientist T. Sorensen wrote. These worries of the countries of the North Atlantic alliance were expressed in the final communique of the conference of NATO foreign ministers in December: "The danger of premeditated aggression on the part of earlier adversaries now threatens the allied countries much less than the unpredictable strategic consequences of the instability that might arise during the period of rapid political and economic changes."⁷

There is no question that European security and stability will depend not only on the development of the situation on the European continent, but also on the situation around Europe, in nearby regions of Africa, the Middle East, and Asia. Europe cannot remain an isolated island of relative security for long under these conditions. The proliferation of nuclear and chemical weapons, missiles, and missile technology in explosive regions of the Third World will also challenge European security and stability.

The new generation of confidence-building measures must serve as a response to all of the potential threats to stability and security in Europe and be capable of averting these threats. "We advocate the active and immediate continuation of the Vienna talks by all 34 states," M.S. Gorbachev said in Paris. "In addition to effecting the further reduction of our armed forces and the modification of their structure to the level of reasonable sufficiency, they would plan new and all-encompassing confidence-building measures."⁸

Operational Mechanism: USSR and U.S. Approaches

Confidence-building measures can only perform their dual function of guaranteeing security and stability and preventing crises in Europe after special all-European mechanisms and institutions have been established. In principle, we could say that common elements prevail in the approaches of the USSR and United States as well as several European states.

As we know, the Soviet Union drafted proposals envisaging the establishment of a center within the CSCE framework for the maintenance of military-political stability in Europe.⁹ According to the original idea, the center was to consist of two agencies. The first would gather and disseminate information about the military activities of states, coordinate inspections, investigate possible disputes, and prepare the appropriate reports and recommendations for the CSCE committee (council) of foreign ministers. The second agency would be conflict prevention center and would concentrate on resolving crises (acting as the intermediary between the sides in the conflict, organizing goodwill missions, etc.).

The approach of the United States and other NATO countries coincides with ours in its basic features. In particular, the final declaration of the NATO conference of heads of state in London in summer 1990 discusses the creation of a conflict prevention center within the CSCE framework as a forum for the exchange of military information, the discussion of extraordinary military operations, and the settlement of disputes between CSCE states. The prevention of crises and conflicts would also be served by another idea set forth in the declaration with regard to a special program of regular consultations on the level of heads of state and government or the ministerial level.¹⁰

The coinciding approaches presented a unique opportunity for the functioning of a democratic multilateral mechanism in Europe to prevent crises and secure military-political stability.

The documents of the Paris conference recorded the creation of new institutions and mechanisms of security and cooperation in Europe. When the president of the USSR briefed people's deputies of the USSR on the all-European conference, he said that this reflects "the general aim of replacing the confrontational structure in Europe with a completely new structure, resting on a collective basis and capable of securing a balance of interests on the Europe-wide scale with the integral inclusion of North America."¹¹ It envisages a mechanism of regular political consultations by the leaders of the 34 states, the functioning of a council of foreign ministers, meetings by experts and other representatives, and the establishment of a conflict prevention center. The USSR predicts a great future for the latter, including its "gradual transformation into something like an 'all-European Security Council' with effective means of extinguishing the sparks of any conflict."¹²

Obviously, this is not a reference to a formal institution with symbolic rights and functions, but an effective instrument for the timely and efficient prevention of crises—from military-political to socioeconomic, legal, ecological, and inter-ethnic. It must be assigned specific political

functions and must interact when necessary with all key elements of the future all-European structure, primarily the council of foreign ministers. The advantage of this approach is that it could secure the preparation of carefully planned and optimal recommendations for superior political all-European institutions for the purpose of maintaining stability and security in Europe.

The center, backed up by an organizational structure (a data bank, a network of special immediate communications between the center and the governments of states, satellite and air monitoring of the development of the situation in crisis zones, etc.) and by collectively planned procedures of behavior in critical situations, could play a genuine role in preventing and resolving crises.

The center's future sphere of activity could include the oversight of the observance of all multilateral agreements and accords in the sphere of European disarmament.

At first the center could be responsible for gathering and transmitting information connected with the implementation of the 1986 Stockholm accords on measures to strengthen confidence and security. The drafting of a multilateral agreement within the CSCE framework on the prevention of dangerous military activity (similar to the Soviet-American agreement of 12 June 1989) could also be considered. This kind of agreement would be important because its efforts to secure the international-legal prevention and resolution of incidents between the armed forces of CSCE states would automatically involve representatives of the armed forces of all CSCE states in the center's activity. It would probably be best for the center to have "access" to the Soviet-American nuclear risk reduction centers not only for the exchange of information when necessary, but also for the purpose of interaction in critical situations. It would also be logical to consider cooperation by the European center with the United Nations in the future, particularly in the event of the establishment of an international UN center to prevent the danger of inadvertent nuclear war, and also with the main regional organizations. With this kind of global approach, the center could be more effective in dealing with "external" threats to European security, particularly as a result of the destabilization of the situation in zones of crisis, the proliferation of weapons of mass destruction and missiles, etc.

New Standards of Openness and Confidence

Obviously, the difficulties connected with the functioning of the new all-European center should not be underestimated. This experiment would be unique because there have been virtually no mechanisms of this kind to date for the simultaneous collection and processing of data and performance of political functions connected with the prevention and resolution of crises.

There are bound to be questions about how the effectiveness of crisis prevention and resolution on the multilateral level can be secured while guaranteeing the flexibility and autonomy of political decisionmaking by each side on the national level in connection with a concrete crisis jeopardizing national security interests. One possible way of

coordinating political decisions on the multilateral and national levels could be the development of agreed standard procedures and rules of behavior for the sides in a crisis and the regulation of the situation.

The involvement of prominent USSR and U.S. scientists and West European experts in the conceptual reinforcement of the structure and functions of the future center (the organization of seminars, symposiums, and commissions) would assist in serious investigations of the matter. Existing Soviet-American experience in crisis resolution and all of the research in this field in both countries must be generalized.

The study of UN experience and the activities of the UN Security Council and secretary-general in crisis prevention and resolution could also be of considerable value. The mechanism for sending UN observer missions, personal representatives of the secretary-general, and UN peace-keeping forces to zones of tension and the procedures of observing the development of the situation in these zones warrant special attention.

The effective functioning of the all-Europe center will require the unprecedented openness and predictability of intentions. To a certain extent, it will be turned into an instrument of "stability through transparency," maintaining confidence and stability in Europe on a qualitatively new level during the gradual replacement of the confrontational bloc structures with all-European security structures.

All of these matters must be considered when the new generation of confidence-building measures is planned. Priority should be assigned to agreed procedures of consultation and communication in the event of critical situations and the elaboration of a code of behavior for the armed forces of the sides in order to avoid erroneous political and military decisions. Securing predictable behavior by the sides in a critical situation will require a precise understanding of the mechanism and methods of political decisionmaking and the actions of top political and military leaders during each stage of the crisis. Joint procedures for the "management" of the strategic situation with the aim of the quick political resolution of crises will be important in this context.

The new generation of confidence-building measures will probably focus on the principles governing the behavior of the sides in an incident involving nuclear weapons (both as a result of accidents or unauthorized actions and as a result of the possible activity of terrorist groups and unstable regimes).

The use of the new generation of confidence-building measures and the implementation of the idea of "stability through transparency" in Europe will depend largely on USSR-U.S. interaction and cooperation. A comparison of the two powers' views on the place and role of confidence-building measures in the new architecture of security and stability in Europe indicates that both states believe that the line of increased openness, predictability, and non-confrontational behavior by the armed forces of the sides meets the requirements of the new all-European security

structure.¹³ This, in turn, provides good prospects for the use of all-encompassing confidence-building measures. Their constructive role as an integral part of the functioning of future European security and stability structures, as a "regulator" of the military-political situation in Europe, and as an instrument of crisis prevention and resolution is becoming apparent. The very definition of confidence-building measures is changing radically. They are expected to eliminate the danger of unforeseen military-political developments, prevent the outbreak of crises in advance, and secure their resolution.

Will it be possible to establish a new security system, based on "stability through openness" and guaranteeing a peaceful transition from bloc relations to multilateral relations, in present-day Europe?

This will depend on the contribution of the USSR and the United States to the development of a new model of confidence-building measures and cooperation by all European states.

Footnotes

1. IZVESTIYA, 20 November 1990.
2. J. Nye, "Arms Control After the Cold War," FOREIGN AFFAIRS, 1989, No 5, p 45.
3. These measures include the USSR-U.S. agreements on measures to reduce the danger of nuclear war (1971), measures to improve the line of direct communication between the USSR and United States (1971), the prevention of nuclear war (1973), the prevention of incidents in the open sea and the air space above it (1972), the establishment of Soviet-American nuclear risk reduction centers (1987), and the prevention of dangerous military activity (1989).
4. Some examples are the Treaty on the Nonproliferation of Nuclear Weapons (1968), the Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on Their Destruction (1972), the Soviet-American open-ended ABM Treaty (1972), and the 1972 provisional agreement (SALT I).
5. See S.M. Rogov, A.V. Kafka, and S.K. Oznobishchev, "Prospects for Transition to Transparency," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1991, No 1—Ed.
6. T. Sorensen, "Rethinking National Security," FOREIGN AFFAIRS, Summer 1990, p 2.
7. LOS ANGELES TIMES NEWSFAX, 18 December 1990.
8. IZVESTIYA, 20 November 1990.
9. E.A. Shevardnadze, "Europe—Mission of the Generation," IZVESTIYA, 29 May 1990.
10. INTERNATIONAL HERALD TRIBUNE, 7-8 July 1990, p 5.
11. IZVESTIYA, 27 November 1990.
12. Ibid., 20 November 1990.

13. For more about the U.S. position, see, for example, J. Baker, "NATO Meeting Produced Concrete Achievements," DAILY BULLETIN, 12 May 1989, U.S. Mission, Geneva; "The Transcript of Ambassador Maresca's Speech at Texas A and M University," DAILY BULLETIN, 1 April 1990, U.S. Mission, Geneva.

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Integration of USSR into World Economy

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[Review by V. Matyash, TASS correspondent in Washington, of book "The New Realism: A Fresh Beginning in U.S.-Soviet Relations" by Roland S. Homet, New York, Harper Collins Publishers, 1990"]

[Text] This book, written at the request of the Washington Committee on American-Soviet Relations, was composed by a prominent American expert with considerable work experience in the upper echelons of government—the White House, Congress, and the Supreme Court. The appearance of this new work, a scrupulous analysis of the status and prospects of American-Soviet relations, is quite indicative. The new study, consisting of four sections—on foreign policy and security, arms control, U.S. views of Soviet perestroika, and economic and humanitarian cooperation—constantly suggests that most of the responsibility for the maintenance of peace must be assumed by two states with unique economic and military potential, the USSR and the United States. Homet concludes from this that neither the United States nor the USSR "has the right to weaken the conditions aimed at curbing the nuclear arms race and the eventual complete elimination of nuclear weapons."

The researcher traces the progress of the reforms of recent years in the Soviet Union carefully and impartially, observing that perestroika, in spite of the many difficulties it has encountered, and the processes of democratization and the renewal of the Soviet society contributed to the elaboration of a "more constructive approach" to events in the USSR in the White House and State Department for the Bush administration.

The author stresses that in the qualitatively new phase of the development of relations with the USSR, the American leadership had to make a choice between the artificial perpetuation of the remaining hostility and enmity, which would be "extremely undesirable," or "the assignment of priority to close friendship" with the Soviet Union. Like the majority of realistic Sovietologists, the author advises broader friendly ties with the USSR. He writes: "The Soviet Union is an important factor in international affairs, and we have been given a unique chance to improve relations between the two great powers in coming years and eliminate whatever divides us, so that common sense can prevail in American-Soviet relations."

A large part of the book deals with the integration of the Soviet Union into the world economy, the promotion of Soviet perestroika and the reforms in the USSR, the

establishment of regular and stable relations of trade and economic cooperation between the USSR and the United States, and the introduction of stronger order into international relations in general. Furthermore, in Homet's opinion, the move toward internal reforms in the Soviet Union has faced the United States and the West with several difficult problems. The first conclusion he draws is that "it will be in the West's interest to ensure the success of the reforms in the USSR" and that the integration of the Soviet Union into the world community will be a positive event but will depend on several important factors.

First of all, complete integration can only occur after the ruble becomes a convertible currency and all price controls are lifted within the country. Instead of price controls, the USSR will need the broad and free flow of imported goods from the West, to aid in the substitution of realistic prices for "prices pulled out of a hat" on vital necessities and commodities and the "development of competition for the quality and competitiveness of manufactured goods." In addition, Soviet bureaucrats will have to stop viewing the world market as something "unstable and chaotic."

Homet applauds the law passed in the USSR on joint ventures, allowing foreign firms to cooperate in the production of Soviet goods for export. Besides this, the Soviet side has expressed an interest in cooperating with the International Monetary Fund (IMF) and GATT. Nevertheless, in Homet's opinion, the law on joint ventures is "too complex and contradictory," and even after it was supplemented and amended to liberalize cooperation with the West, "the most interesting and appealing deals were put together by means of negotiations outside the framework of this law."

There were some specific concerns: How could accumulated profits be taken out of the country in non-convertible rubles, and how could these profits even be earned in the absence of any kind of market competition in the Soviet economy? In the simplest terms, there was a conflict between the USSR's desire to earn foreign currency and expand its exports and the Western businessmen's desire to "secure unlimited sales of imported goods in the huge but undeveloped Soviet market."

One of these questions was answered in part by the conclusion of a special agreement by the American trade consortium made up of six giant firms and companies with Soviet foreign trade organizations. It allowed the consortium to dispose of the profits from its export-import operations in the USSR with compensation in foreign currency from other Western firms and companies operating in the Soviet market. For the majority of other companies this prospect is still far in the future. This is why the well-known American Monsanto firm, operating in the field of biotechnology, declared that "joint ventures will not be a significant factor in transactions with the Soviet Union until the ruble is convertible and hard currency ceases to be a problem."

Homet also discusses the intention to create "special economic zones" in the Soviet Union near Leningrad and Vladivostok, where plants and factories belonging to Western enterprises are expected to earn hard currency for

the goods they produce. In his opinion, this attests to the USSR's hope of gaining "active and real access" to world business and the world economy. "The West's declared goal," the American specialist writes in this context, "which President Bush called the 'integration of the Soviet Union into the community of nations,' is not something the West can do by itself. It will require the Soviets to take determined steps themselves."

The author cites the opinion of the experts who feel that the viability of Soviet reforms will withstand the test of time on two conditions: First, the Soviet Union will need a period of "relaxation of international tension to put its own affairs in order" and, second, "the Soviets probably will not achieve the goals of perestroika and social renewal without access to Western credits and technology."

"There is no question," Homet writes, "that peaceful conditions would be conducive to economic renewal in the USSR, but...the Soviets will probably strive for arms reductions and the improvement of East-West relations for their own credit and not simply for the good of their economy."

As for Western credit and technology, they "could assist in the development of the Soviet Union, but they will not be of vital importance to it." The author repeats what the Senate Committee on Intelligence was told by Ed Hewitt, a prominent American expert on the Soviet economy from the Brookings Institution, who believes in theory that even if the USSR should have to get along without American sources of funding and credit on their present scale, this "will not hurt perestroika or the Soviet defense system." The necessary imports can come from other sources and can be financed with Soviet energy resources and arms exports. The latest technology will be acquired from the West when it is necessary and accessible, but for reasons of personal security the Soviet Union will continue to avoid complete dependence on imports of this kind.

The author has his own interpretation of the discriminatory practices of the administration and Congress in U.S. trade with the USSR and says that all of these restrictions hurt the West more than the Soviet Union.

President Bush, the author says, tried to break this vicious cycle when he declared in May 1989: "The goal of our military policy is not to exert pressure on the weak Soviet economy or to gain military advantages." Homet says that this was "an important step away from the attempts to use the arms race as a means of achieving the administration's goals, a step in the direction of realism." As a result, Bush proposed the temporary suspension of the discriminatory Jackson-Vanik amendment, saying that "the Soviet Union should bring its emigration laws into conformity with international standards and observe its new laws conscientiously." In itself, the suspension of the amendment, the author says, will not revive Soviet-American trade "as if by magic" and will not give the USSR any special economic advantages until it has high-quality goods, especially machines and machine tools, to sell in the American market.

Questions connected with American-Soviet humanitarian cooperation and human rights in the USSR are examined in detail in the book, and the problems of emigration and immigration are discussed at length.

In general, Homet feels that the third section of the Helsinki Final Act, containing the statements about human rights, agrees, with just a few exceptions (world news media and contacts between families), with the basic provisions of the U.S. and USSR constitutions. He quotes an important statement on the matter by Chairman Claiborne Pell of the Senate Foreign Relations Committee: "American views and convictions are based on the assumption that the Soviet attempts to improve relations with the United States will probably be nullified by the lack of improvement in Soviet policy on human rights. The reality of Soviet politics, however, is that these improvements in the sphere of human rights are more likely to occur in an atmosphere of improved relations."

The author draws the important conclusion that all of the rights of the individual—political, civil, economic, social, and cultural—are considered to be indissoluble and interdependent in the USSR. Social rights are not contrasted to political and civil rights in the Soviet Union in principle, because there is the necessary understanding that all of them are aimed at securing a suitable existence for the individual, in line with the provisions of the Helsinki Final Act.

Summing up the results of U.S.-USSR cooperation in arms control, in neutralizing the danger of accidental nuclear war, in the security sphere, in lowering the level of military activity, in the trade, economic, and humanitarian spheres, and in supporting Soviet reforms, the author says that, in spite of some unresolved problems, "both countries have made impressive progress." "There can be no security for the USSR without U.S. security"—he quotes the words of the Soviet president.

Roland Homet's book was favorably received in the American political community.

Reasons for Intensification of American-Japanese Competition

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[Review by Yu.A. Shvedkov of books "The Enigma of Japanese Power. People and Politics in a Stateless Nation" by Karel van Wolferen, New York, Alfred A. Knopf, 1989, 496 pages, and "The End of the American Century" by Steven Schlosstein, New York, Congdon and Weed, 1989, xv + 537 pages, and of article "Japan as Competitor" by Edson Spencer, *FOREIGN POLICY*, 1990, No 78, pp 153-171]

[Text] The heated debates in the United States over the reasons for the dramatically intensified assault by leading Japanese banks and industrial corporations on American businessmen's positions in the world seem to be producing a common point of view: Their success has not been due to

the superiority of their foreign trade tactics, but to deeply entrenched features of Japan's social and economic structures.

The reasons for the failure of American businessmen to win the battles with Japanese rivals have been discussed in the most specific terms in numerous books and articles, and a new current known as the "revisionist" school has emerged in this field in recent years. Its representatives believe that Japanese capitalism differs fundamentally from American capitalism because market processes are not the prevailing factor in Japan. For this reason, it is exceptionally difficult to settle economic conflicts between the United States and Japan. This point of view is expressed in the book by Karel van Wolferen, a Dutch journalist who worked in Tokyo for around 25 years. Another current, which could be called "realistic," is represented by the book by Steven Schlosstein, recently the vice president of a well-known bank, the Morgan Guaranty Trust, and now the owner of a consulting firm on the affairs of American companies operating in East and Southeast Asia. The "realists" see no fundamental differences in the Japanese and U.S. economic and political structures.

The "revisionists," including van Wolferen, have deviated radically from the initial premises once set forth in the popular book by prominent American political scientist Herman Kahn, "The Emerging Japanese Superstate." Twenty years ago this author predicted the unprecedented growth of Japan's economic, technological, and political strength, and probably its military might, basing his forecast on the national characteristics of the Japanese people, their culture, and their mentality. It is obvious that the national characteristics of the Japanese are important, but, according to the "revisionists," they are far from the deciding factor. Their approach is based more on economic determinism and a recognition of the decisive importance of the pyramids of economic influence and governmental power in Japan.

Furthermore, in contrast to Kahn, van Wolferen prefers to speak of the Japanese "system" rather than the Japanese government. Real power in Japan, he writes, is concentrated in the hands of closely interrelated banking and industrial conglomerates and the branches of the governmental bureaucracy affiliated with them.

As van Wolferen points out, the system of family financial groups which existed in Japan until the time of its defeat in World War II—the "zaibatsu"—was destroyed by the American occupation forces, but it was replaced by a more complex network of interrelated conglomerates known as "gurupu" and bound together by large mutual stock holdings. From 60 to 70 percent of the stocks categorized as political in the book are under the permanent control of industrial corporations and financial institutions, giving them a chance for close interaction in establishing their control over national economy policy (I, pp 46-47). Furthermore, as van Wolferen points out, over 70 percent of the production in most of the leading branches of industry is controlled by from one to three corporations, which divide up the market among themselves and sell products

at agreed monopoly prices. Private enterprises, in van Wolferen's opinion, exists in Japan only on the level of smaller firms, which are dependent on large corporations. They help them exercise control over the labor force and cultivate a certain "lifestyle" (I, p 156).

Government officials also play a major role in economic activity, especially the heads of ministries responsible for the distribution of government subsidies, such as the ministries of Finance, International Trade and Industry, Transport, Construction, and Foreign Affairs. It is this close interaction by government bureaucrats and the executives of the leading banks and industrial corporations that the author cites as the main reason for the Japanese "miracle." As part of this interaction, the economic branches of strategic importance are constantly stimulated by government investments and protected from foreign competition. As a mark of gratitude for their cooperation, when government officials retire (usually at 55), they might continue working in executive positions in the same corporations their government agencies fostered (I, p 44).

In van Wolferen's opinion, the country effectively has a single-party system, because the Liberal Democratic Party, which is always the ruling party, receives enough funds from banks and industrial corporations to secure itself a majority in parliament.

One of the distinctive features of the Japanese ruling class, in the author's opinion, is that its members care less about maximizing corporate profits (they pay the lowest dividends in the world—around 1.5 percent per annum) than about controlling markets, acquiring foreign property, and exercising political influence. This explains the particularly aggressive nature of Japanese capital expansion.

Van Wolferen's book proves that Japanese ruling circles cannot be called "benevolent." In spite of the country's wealth, the life of the rank-and-file workers in Japan is worse than that of their American and West European counterparts. Corruption has permeated the entire system from the top to the bottom and is so widespread that even corporate executives have to "buy" their position each year.

In the final section of the book, van Wolferen stresses that the Japanese "system" appears to have reached a crossroads and is beginning to adapt to Western values. In light of the possible responses to the expansion of Japanese capital by the United States and the European Community, Japan's future economic and political potential in international affairs is unclear to the author and could even be dangerous. "It is possible," he writes, "that the Japanese system...will achieve a *modus vivendi* with the Western world, and especially with the United States, but this will require prudent policy on the part of Western capitals" (I, p 433).

In contrast to van Wolferen, Schlosstein compares the Japanese society to the American one instead of contrasting them. Without making any broad generalizations, Schlosstein tries to show why the United States fell behind its dynamic Asian rivals in the main areas of economic, political, and social development and in security policy. It

is true that the author also admits the differences between American and Japanese capitalism, calling the latter "turbo-jet" capitalism. He is more likely, however, to see these differences in specific areas of policy than in the socioeconomic system.

Japan, he writes, is distinguished by new forms of interaction by the government and the business community, based on corporate interests; a constant emphasis on exports; the achievement of exceptionally high savings and investment indicators with the help of the Ministry of Finance; the primacy of production over consumption; reliance on small and gradual improvements with the aid of research and development rather than on the spectacular but infrequent breakthroughs characteristic of Western countries (II, p 28). From this, he draws the conclusion that "America has been unable to keep up with other industrial countries in the improvement of its economic positions in the last 20 years. Labor productivity, trade methods, and the accumulation of capital and investments for competitive enterprises and equipment—all of this lagged far behind the achievements of East Asia" (II, p 73).

The author naturally criticizes the economic policy of the Reagan administration, which, contrary to expectations, made the United States lag further behind its main rivals in labor productivity and turned the creditor-country into the world's largest debtor.

Whereas decisions are made slowly in the Japanese political system, but are always preceded by thorough investigations on various commercial and bureaucratic levels, the authors remarks, the political decisionmaking process in the United States is frequently divided between the White House and the Congress and is influenced by the conflicting interests of different forces and lobbyist organizations.

The system of education in Japan is being improved vigorously with the participation of the whole society, but only two-thirds of the students in American schools graduate (II, p 261).

The financial difficulties of many American families are having an adverse effect on the career plans of young Americans. Whereas only 6 percent of the families in Japan are supported by a single parent, the figure in America is 20 percent (II, p 309). It will take a long time, the author writes, before the American family can be "saved." The present system of taxation in the United States does not work to its benefit. The author stresses that American initiatives "should be aimed not only at stimulating the growth of labor productivity and overall economic development, but also at creating a better combination of taxes on consumption and other special taxes to help secure financial stability and a more realistic energy policy, areas in which America has failed to keep up with Europe and Japan" (II, p 465). Incidentally, the latter point became particularly relevant again in connection with the new international crisis in the Middle East as a result of Iraq's aggression against Kuwait. This was observed by former U.S. President Jimmy Carter in his articles published in the INTERNATIONAL HERALD

TRIBUNE in the middle of August 1990. In particular, he wrote that "the production costs of Japanese goods will be affected only one-third as much by rising oil prices as the overhead costs of American production."

Schlosstein ends his book by warning that the world "is in danger of Japanese dominance, which will be backed up not only by Japan's economic (industrial), technical, and financial strength, but also by military strength, with the probable acquisition of nuclear weapons" (II, p 449).

Therefore, two respected and informed authors, after examining the distinctive features of the Japanese economic system from different vantage points, arrive at similar conclusions regarding the threat to the United States' positions in the world.

The two authors do not make any predictions regarding the future development of American-Japanese relations. This attempt is made by Edson Spencer, chairman of the Commission on U.S.-Japan Relations in the 21st Century, in his article "Japan as Competitor," published in the Spring 1990 issue of FOREIGN POLICY. After analyzing all of the American-Japanese trade and economic conflicts, the author examines three scenarios of their future development—optimistic, pessimistic, and somewhere in between. He does not place much hope in the optimistic scenario, presupposing interaction by the two sides in the security sphere and in economic development throughout the world. "Unfortunately," Spencer writes, "the main reason for the implausibility of this scenario is that Americans, judging by all indications, will not be able to correct the structural weaknesses of their economy quickly enough." The ability of the Japanese to adapt to major structural changes will decrease, in the author's opinion, instead of increasing in the future. The pessimistic scenario, based on the extrapolation of present tendencies, is more probable. It essentially foresees a trade war between the United States and Japan with serious political consequences.

The third and most plausible scenario for the 1990s could have positive and negative aspects. America, in Spencer's opinion, will begin adapting to the new situation. There will be broader economic cooperation between the United States and Japan in general, although acute conflicts in trade will continue. The authors of the books under review also seem to agree with this scenario, but none of the authors can assess the changes the perestroika in the USSR and its active diplomacy might make in the world situation.

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Chronicle of Soviet-American Relations (January 1991)

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[Text] January

1—President G. Bush of the United States sent a New Year's message to the Soviet people, and President M.S. Gorbachev of the USSR sent New Year's greetings to the American people.

On the first day of the new year G. Bush called M.S. Gorbachev. During the telephone conversation, they reaffirmed the two countries' known opinions and views on disarmament issues and the situation in the Persian Gulf.

4, 8—Soviet Minister of Foreign Affairs E.A. Shevardnadze received U.S. Ambassador J. Matlock. They mainly discussed ways of finishing the work on the strategic offensive arms treaty as quickly as possible. Matlock delivered a message from U.S. Secretary of State J. Baker to E.A. Shevardnadze.

12—The U.S. Department of Agriculture reported that the Soviet Union had made the largest single purchase of American grain in history—3.7 million tons, for a sum of from 340 million to 380 million dollars. The purchase was made immediately after the Soviet and American sides reached an agreement on guarantees for the extension of 900 million dollars in credit to the USSR for agricultural purchases.

23—A festival of American art opened in the large auditorium of the Moscow Conservatory under the slogan "Making Music Together." G. Bush sent a special message greeting visitors to the festival. The culminating event was a performance of Copland's symphonic "Portrait of Lincoln," with a masterful reading of the author's text by Ambassador J. Matlock.

24—In the Kremlin M.S. Gorbachev received President M. Armstrong of the IBM Corporation, who described the main fields of the company's activity in the USSR, including joint scientific research, the organization of computer production, the provision of academic institutions with computers, the development of passenger and freight traffic control systems, and others. The president of the USSR commended this activity.

M.S. Gorbachev received J. Matlock, who gave him a letter from President G. Bush. This was followed by a long and detailed discussion.

The Senate of the U.S. Congress approved a draft resolution condemning the actions of the Soviet authorities in the Baltic republics. The document asks the President of the United States to consider economic sanctions against the USSR if Moscow should adhere to this line. A similar resolution was passed earlier in the House of Representatives.

26-29—Newly appointed USSR Minister of Foreign Affairs A.A. Bessmertnykh was in Washington. He spoke with the secretary of state and the President of the United States. A joint statement by the presidents of the USSR and the United States, published in Washington soon after G. Bush's meeting with A.A. Bessmertnykh, said that the Soviet-American summit meeting originally scheduled for February would be held later in the first half of 1991. According to the statement, the main reason for postponing the meeting was the war in the Persian Gulf, which demands the U.S. President's constant presence in Washington.

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Articles Not Translated

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